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note):

[redacted] 8/13/47

12 August 1947

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MEMORANDUM FOR [redacted]  
CHIEF, INSPECTION BRANCH

SUBJECT: Initial Plans for Inspection and Audit Branches

1. Your attention is invited to tentative Statement of Functions, attached, of the Inspection and Audit Branches of this office.

2. In addition to your regular assignment as Chief, Inspection Branch, you will initially be designated as Acting Deputy A, Executive for I & S, and will in this capacity supervise the build-up and organization of both the Inspection and Audit Branches.

3. The first priority of assignment should be the selection of highly qualified personnel for these two offices. Personnel for the Inspection Branch must be Intelligence Specialists, who preferably have had experience in the field as a Chief of Mission or as Intelligence Officer. Upon their selection, I desire that you and the other inspectors of the branch keep yourself fully and continuously informed of current intelligence operations and the current "intelligence picture" in all offices of CIG. While your primary function is perhaps inspection trips, desired by the Director of Central Intelligence, to OSO installations abroad, you will also at times be required to inspect and advise as to operations [redacted] in Washington of all other offices. Even more important is the fact that to be able to advise and render good intelligence service to OSO installations, your inspectors must know and understand the complete picture. All of this requires that your branch must be on the distribution list for all CIG finished intelligence such as Daily Summaries, ORK Situation Reports, etc.

4. The records of personnel selected for the Inspection and Audit Branches will be made available for review by the Assistant Director SO in order to satisfy him that no security risk will be encountered in the use of such personnel abroad. In cases where inspectors have not had previous experience in semi-covert or covert operations, arrangements must be made to have them properly indoctrinated by OSO.

5. For planning purposes, the Inspection Branch should be prepared to send two inspectors into the field by some time during December. Field Inspection trips will be ordered by myself after consultation with the Director. Except in unusual circumstances, such trips will be fully coordinated with the Assistant Director concerned and in cases of OSO installations by conferences between yourself and the chief of the regional branch. Travel will be by CIG Special Funds and not charged.

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against OSO Special Funds. Any necessary cover arrangements will in every case be coordinated with the Assistant Director, OSO. Suggest that you may find it feasible to establish a regular procedure for "laying-on" field trips.

6. The basic principle of the activities of the Inspection Branch is that it functions, through the Executive for I & S, directly for the Director. Therefore, its files, reports, and recommendations are highly "restricted" and will not be made available to any person outside the branch except the Director, Deputy Director, Executive Director, or Executive for I & S. The same strict security must obtain within the Inspection Branch as is maintained for the highly classified operations of OSO. On the other hand, the Inspection Branch must strive to gain and maintain the confidence of Assistant Directors and must make them feel that so far as the Director's directives permit, the Branch will make every effort to be of real service and help to offices and the operating personnel in the field.

7. It appears that the initial activities of the Inspection Branch might follow along this broad basis:

Selection and indoctrination of personnel.  
Study of the current operations of all CIG activities.  
Study of the administration and management of CIG.  
Preparation of procedures for inspections and for records.  
Preparation of a suggested annual inspection plan for  
approval of the Director.  
Initial inspections.

8. The priority task of the Audit Branch will be to audit CIG and OSO Special Funds. The very high classification of information which will come to the attention of the auditors in performing this task requires a very careful build-up of the branch and unusually careful indoctrination. For this reason, while five or six auditors have been tentatively selected, they will not be employed until a careful review has been made of their security investigations, which should be mutually satisfactory to both Assistant Director, OSO and Executive for I & S.

9. The Audit Branch will have a definite "Curtain" about it and its proceedings, files, records, and other activities will be available only to the Director, Deputy, Executive Director, Executive for I & S, and Deputy A, Executive for I & S.

10. The Audit Branch will be kept physically apart from both the Special Funds Officer, OSO and the Fiscal Branch, CIG. Its personnel will, however, be given an indoctrination course in current methods and procedures by both the Fiscal Officer and the Special Funds Officer before commencing any audit.

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11. Personnel of the Audit Branch will be further given such necessary indoctrination by OSO as to enable them to realize the problems of intelligence personnel authorized to use Special Funds and to further go into the field when necessary, or when so directed.

12. The high priority job awaiting the activation of the Audit Branch will be a complete audit of Special Funds and report thereof directly to the Director.

13. Such audits will be made thereafter on a periodic basis, and at least once a year.

14. Assistant Directors or the Fiscal or Special Funds Officer are authorized to request such additional or special audits by the Audit Branch as they deem necessary.

15. In addition, in accordance with instructions from the Director, the Audit Branch may review and advise on budget estimates for Special Funds.

16. The Audit Branch will be prepared to recommend to the Director improved fiscal and management procedures in the handling of funds which will increase the efficiency of CIG operations.

17. It appears that the initial activities of the Audit Branch might follow along this broad basis:

Selection and indoctrination of personnel.  
Study of the current fiscal procedures and methods in CIG.  
Preparation of procedures for audit and audit records.  
Audit of OSO Special Funds.  
Audit of CIG Special Funds.  
Preparation of an annual audit and fiscal management program.

SHEPPFIELD EDWARDS  
Colonel, FA  
Executive for Inspection and Security

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